

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of)

PUBLIC UTILITIES COMMISSION)

Instituting a Proceeding to Investigate)
Distributed Generation in Hawaii.)

Docket No. 03-0371

KAUAI ISLAND UTILITY COOPERATIVE'S RESPONSES TO THE
HAWAII RENEWABLE ENERGY ALLIANCE'S INFORMATION REQUESTS

AND

CERTIFICATE OF SERVICE

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PUBLIC UTILITIES
COMMISSION

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COMES NOW, KAUAI ISLAND UTILITY COOPERATIVE, by and through its attorneys,
Oshima Chun Fong & Chung, hereby submits its Responses to the Hawaii Renewable Energy
Alliance's Information Requests.

DATED: Honolulu, Hawai'i, June 16, 2004.



ALAN M. OSHIMA
KENT D. MORIHARA

Attorneys for KAUAI ISLAND UTILITY
COOPERATIVE

**KAUAI ISLAND UTILITIES COOPERATIVE'S RESPONSES TO THE
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HREA-KIUC-IR-1 (Planning: Issue #1).

On pages 6 to 8 of KIUC's SOP, KIUC discusses the feasibility and viability of DG for Hawaii. Would KIUC agree that feasibility and viability will be determined by the market, and especially one that is competitive and has a level playing field, and all barriers to market entry are removed? If not, why not?

Response: KIUC does not agree with this statement. With the Hawaii utilities operating as regulated entities, the ultimate role of distributed generation in Hawaii will be impacted by the final shape of any regulations that are adopted as a result of this proceeding or otherwise. Further, as a cooperative utility, KIUC has a direct obligation to its members to provide electricity at the lowest cost possible while taking into consideration the interests of its members. KIUC's perspective regarding the feasibility and viability of DG in Kauai is that it should not increase the overall costs, expenses and risks to members and should not otherwise be contrary to the members' interests.

Sponsor: Mike Yamane
N. Richard Friedman

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HREA-KIUC-IR-2 (Planning: Issue #2).

On page 9, KIUC expresses concerns about potential loss revenues due to non-utility owned DG. Would KIUC agree that revenue losses would be eliminated or minimized in the case where a utility is experiencing load growth? If not, why not?

Response: KIUC's concerns about potential revenue losses due to non-utility owned DG is focused on the revenue lost (i.e., not collected) from the particular customer or customers that is obtaining at least part of his energy needs from DG rather than purchased energy from KIUC. Therefore, KIUC does not agree that utility load growth would minimize or eliminate KIUC's concerns as it pertains to that specific customer's potential to produce revenue for KIUC.

In addition, in the event KIUC did experience load growth and resulting additional revenues, these additional revenues could be more than offset in the event additional capacity, facilities and maintenance costs are required to provide and serve this additional load. In such an event, the revenue losses due to non-utility owned DG would provide a greater source of concern for KIUC because it would decrease KIUC's customer/load base over which to spread out its revenue requirement, resulting in higher rates being charged to KIUC's customers and members.

Sponsor: Mike Yamane

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HREA-KIUC-IR-3 (Planning: Issue #3).

Referencing page 10, is it KIUC's position that a generic case can not be made for the benefits of DG? If so, why not?

Response: The statement made on page 10 was not intended to imply that a generic case cannot be made for the benefits of DG. In fact, KIUC's discussion in Issue 7 of its Preliminary Statement of Position recognizes some of the benefits that may result from DG. Instead, the statement was made to illustrate KIUC's opinion that it is difficult at the current time to make any reasonable determination as to what specific forms of distributed generation are feasible and viable for Hawaii due to various uncertainties and variables, and that such a determination can only be made at the current time on a case-to-case basis weighing the benefits of the DG with the costs/expenses/risks and the interests of KIUC's members.

Sponsor: Mike Yamane

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HREA-KIUC-IR-4 (Planning: Issue #3).

On page 11 and later on page 14 (Impact: Issue 9), KIUC indicates there are potential risks, including a failure to gain anticipated DG benefits, if there is an extensive or non-controlled infusion of DG. Would KIUC agree, therefore, that DG should be planned in IRP, and, specifically, that areas for DG development should be identified for implementation? If not, why not?

Response: KIUC is currently undergoing an IRP framework revision based on a cooperative philosophy that will be submitted to the Commission by the end of 2004, which will take into account the possibility of DG. As such, at least as it pertains to KIUC, KIUC generally agrees that DG should be considered as part of the IRP process.

Sponsor: Mike Yamane

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HREA-KIUC-IR-5 (Impact: Issue 6).

Referencing page 12, could KIUC provide an example to illustrate why DG would result in minimal savings due to small reductions in transmission line losses?

Response: See the response to CA-SOP-IR-32.

Sponsor: Mike Yamane
N. Richard Friedman

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HREA-KIUC-IR-6 (Impact: Issue 7).

On pages 12 to 13, items (b) to (d) are listed by KIUC has potential externalities costs and benefits from DG. Could KIUC comment on why these items are externalities (i.e., those costs and benefits that are not presently accounted for in our current energy transactions)?

Response: "Utility revenues lost to distributed generation projects", as referenced in KIUC's response (b) to Issue 7, are externality costs because they involve anticipated revenues from energy sales to a customer that were not received because the customer met these energy needs with their on-site generation. It represents lost opportunity sales and revenue that, if received, could have lessened the costs to other electric customers.

A minimized need for transmission and distribution lines and other utility infrastructure upgrades as referenced in response (c) to Issue 7 is an externality benefit because it represents a reduction in the amount of lines and upgrades currently accounted for and projected to be required based on the utility's current needs.

A customer's "benefit by having an alternative source of energy", as referenced in KIUC's response (d) to Issue 7, is an externality benefit to the customer in that it represents possible intangible benefits a customer may feel (e.g. using renewable generation, less dependence on the utility).

Sponsor: Joe M^cCawley

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HREA-KIUC-IR-7 (Implementation: Issue 9).

Referencing page 16, paragraph (e), would KIUC's concerns about potential degradations to their system be mitigated if DG were required to meet IEEE-1547 and other appropriate standards?

Response: One basis for interconnection standards is to address the concern of potential degradation caused by DG interconnecting to an electrical system. KIUC believes that IEEE-1547 contains language that, when followed, would minimize some of KIUC's concerns.

Sponsor: Joe McCawley

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HREA-KIUC-IR-8 (Implementation: Issue 10).

Referencing page 18, does HREA understand correctly that KIUC is proposing to install a CHP DG at a customer's site, charge the customer the retail rate appropriate to the customer's class of service, and then allow the customer to benefit from the free use of the waste heat component of the CHP, in exchange for free rental of DG facility site on the customer's premises? Given this approach, would KIUC be willing to partner with non-KIUC energy service providers for installation, operation and maintenance of the DG facility?

Response: As stated in KIUC's response to Issue 10, KIUC is evaluating options associated with ownership and operation of generation located on a customer's property. As KIUC stated in response to Issue 2, KIUC currently does not intend to place any limitations on who should own, operate or maintain a DG facility as long as the facilities can be operated and maintained in accordance with certain industry standards and as long as no material concerns remain after an analysis that takes into consideration, without limitation, the considerations set forth in Article III, Section 9 of KIUC's Preliminary Statement of Position. As such, under the right conditions, KIUC would consider partnering with a non-KIUC energy service provider for some or all aspects associated with the design, installation, operation and maintenance of a DG facility.

Sponsor: Joe McCawley

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HREA-KIUC-IR-9 (Implementation: Issue 10).

As a follow-up to HREA-KIUC-IR-9, would KIUC support DG implementation in the following manner. KIUC specifies areas and amounts of desired DG and then solicits (in a competitive bidding process) for DG proposals from potential DG customers and ONLY non-KIUC energy service providers? If not, why not?

Response: KIUC is in the process of evaluating DG ownership, installation, and operating and maintenance procedures and policies appropriate to a generation, transmission and distribution electric cooperative on Kauai. At this time, KIUC has not determined the applicable role that either competitive bidding or non-KIUC energy service providers will play in these policies and procedures.

In general, KIUC anticipates an implementation scheme or schemes that would allow DG facilities to be installed in a manner that best meet the needs of KIUC's members.

Sponsor: Joe McCawley

CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following parties, by having said copies delivered as set forth below:

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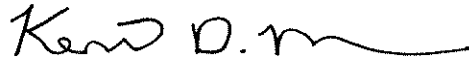
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DATED: Honolulu, Hawai'i, June 16, 2004.

A handwritten signature in black ink, appearing to read "Kent D. Morihara", written over a horizontal line.

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KENT D. MORIHARA

Attorneys for KAUAI ISLAND UTILITY
COOPERATIVE